



# Influence of Increases in Cigarette Prices and Excise Taxes



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Raising the price of tobacco products through excise tax increases, as part of a comprehensive tobacco control program, is one of the most effective ways to prevent or reduce tobacco use.<sup>1,2</sup> Nearly 70% of smokers start smoking by 18 years of age; in 2004, the average age of first cigarette use among recent initiates was 16.7 years.<sup>3</sup> Almost 22% of high school students in the United States are cigarette smokers: in 2003, 22% of U.S. adults were smokers.<sup>4,5</sup> On the basis of scientific evidence of effectiveness, the Task Force on Community Preventive Services strongly

recommends price increases not only to reduce tobacco use by young people and adults, but also to increase the number of people who quit.<sup>1</sup> Revenues from tobacco tax increases have an additional public health benefit: they can be used to support the prevention and treatment components of comprehensive tobacco control programs.<sup>2</sup> Findings from scientific studies show that excise tax increases reduce the number of young people who start smoking and increase the number of adults who quit.

## Increases in Cigarette Prices and Taxes Are Associated With Less Smoking by Young People

- A 10% increase in the price of a pack of cigarettes can lead to a 9% to 15% decrease in cigarette smoking among adolescents. This effect among adolescents is up to three times greater than the effect on adults.<sup>2,6</sup>
- Increasing cigarette prices makes it more likely that young people who do not smoke will remain nonsmokers. One study found that nonsmoking young people who live in states with high cigarette prices are 13% more likely to remain nonsmokers than are young people who live in states with low cigarette prices.<sup>6</sup>
- Increasing cigarette prices makes it less likely that young people who experiment with smoking will progress to regular smoking.<sup>7,8</sup>
- Increasing cigarette prices makes it more likely that an established young smoker will quit smoking. A 10% increase in cigarette price can increase by about 3% the chances that an established young smoker will quit.<sup>5</sup>

## Increases in Cigarette Prices and Taxes Contribute to Declines in Adult Smoking

- A 10% increase in the cigarette tax decreases per-capita cigarette consumption among adult smokers by 3% to 5%. About half of this decline results from smokers who quit.<sup>2,9,10</sup>
- A 10% increase in the average price per pack of cigarettes could lead to a 1% decrease in adult cigarette smoking prevalence.<sup>10</sup>

## Improved Health Can Reduce Tobacco-Related Health Costs

- A 10% increase in state cigarette excise taxes could save 5,000 lives in the United States each year.<sup>11</sup>
- Better health translates to reduced health care costs and other savings for smoking-related disease. According to an independent evaluation of the Massachusetts Tobacco Control Program conducted by Abt Associates, the decline in smoking prevalence achieved in Massachusetts prior to 1998 saved a minimum of \$585 million annually in public and private health care expenditures.
- As a result of decreases in smoking from 1990 to 1998, California saved more than \$3 billion in smoking-attributable health care costs.<sup>12,13</sup> Fewer smoking-attributable heart attacks and strokes saved \$390 million,<sup>13</sup> and fewer low-birth-weight babies saved \$107 million.<sup>14</sup>

## Increases in Cigarette Excise Taxes and Prices Reduce the Relative Burden on Disadvantaged Groups

- A 10% increase in the price per pack of cigarettes is associated with a 3% to 5% decline in cigarette consumption.<sup>2</sup> Low-income smokers are more likely than high-income smokers to quit or decrease smoking in response to cigarette price increases.<sup>10</sup>
- Low-income smokers spend a larger share of their income on cigarette taxes than do high-income smokers. As a result, more low-income smokers quit in response to cigarette price increases.<sup>10</sup>

## Increases in the Cigarette Excise Tax Lead to Higher State Revenue

- A 100% increase of all federal and state cigarette excise taxes from their 2001 levels would result in a 75% increase in cigarette excise tax revenue.<sup>15</sup>
- Despite the high average cost of cigarettes in California (\$3.51/per pack after the 1999 cigarette tax increase), only an estimated 5% of California smokers usually buy their cigarettes from sources that charge lower taxes (e.g., neighboring states, American Indian reservations, military commissaries, the Internet).<sup>16</sup>

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